IRPP

ANNUAL REPORT

2011

IRPP

MISSION

Founded in 1972, the Institute for Research on Public Policy is an independent, national, bilingual, nonprofit organization.

The IRPP seeks to improve public policy in Canada by generating research, providing insight and sparking debate on current and emerging policy issues facing Canadians and their governments.

The Institute's independence is assured by an endowment fund, to which federal and provincial governments and the private sector contributed in the early 1970s.

FINANCIAL HIGHLIGHTS

Year ended March 31, 2011 (in thousands of dollars)

	2011	2010	2009
Operational budget	2,392	2,385	2,579
Expenses	2,351	2,304	2,460
Operational budget over expenses	41	81	119

BOARD OF DIRECTORS

Janice MacKinnon	Chair
Graham Scott	Vice-Chair
David N. Biette	Washington, DC
Kim Brooks	Halifax
Ian D. Clark	Toronto
Jim Dinning	Calgary
Alain Dubuc	Montreal
Mary Lou Finlay	Toronto
Ann Fitz-Gerald	United Kingdom
Isabelle Hudon	Montreal
George Lafond	Victoria
Janice MacKinnon	Saskatoon
John Manley	Ottawa
Barbara J. McDougall	Toronto
A. Anne McLellan	Edmonton
L. Jacques Ménard	Montreal
Martha C. Piper	Vancouver
Graham Scott	Toronto
Paul M. Tellier	Montreal
Wanda Wuttunee	Winnipeg

MEMBERS OF THE INSTITUTE

Howard Bergman	Montreal
Lea Hansen	Toronto

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

JANICE MACKINNON

The past year has been one of endings and new beginnings. Mel Cappe completed his five year mandate as president. He brought to the IRPP the same dedication and commitment as he did during his 30-year career in the federal public service. Thanks to him, the IRPP has established strong connections with decision-makers and the Canadian policy community. We want to thank him for his tremendous contribution, and we wish him every success.

WE are delighted that Graham Fox will lead our organization through the next phase of its development. A policy entrepreneur, he brings tremendous energy and executive-level experience in politics, public policy research, government relations and advocacy to the position. In the information age, policy research and public debate are in constant transformation as a result of new technologies, the proliferation of policy actors and the expectations of citizens, and the IRPP must evolve along with those developments. Graham's policy and media experience, his curiosity about new research and his dialogue techniques will allow the IRPP to build on its core research strengths and enhance its profile. These attributes will also help bring leaders from all sectors together for meaningful debates on the tough policy challenges that lie ahead. We all look forward to building on our success as a team.

Turning to business of the Board, Peter Aucoin, chair of our Research Committee and a director since 2005, and Milton Wong, a director since 2010, resigned from the Board for personal reasons. We were subsequently very saddered to learn of Peter Aucoin's passing after a very courageous battle with cancer. This year we also bid farewell to four directors who have completed their second four-year terms: Fred Gorbet, Guy Saint-Pierre, Bernard Shapiro and Kent Weaver. As well, members Meyer Burstein and Peter Nicholson are leaving after completing their two-year terms. On behalf of the Board, I wish to thank all of them for their invaluable contributions to the Board, its committees and the Institute.

We are pleased to welcome new Board members David Biette, Director of the Canada Institute at the Woodrow Wilson International Center for Scholars in Washington, DC; Kim Brooks, Dean of the Dalhousie University Schulich School of Law; Alain Dubuc, author and columnist for *La Presse* and six other dailies in Quebec; Isabelle Hudon, President of Sun Life Financial Quebec; and George Lafond, a former First Nations tribal council chief and a business and social development consultant for governments, universities, First Nations bands, businesses and organizations. Joining as members are Lea Hansen, a long time member of our Investment Committee, and Howard Bergman, who has agreed to serve another two-year term. On behalf of the Board, I extend a warm welcome to all of them and look forward to their contributions.

Finally, I want to thank the Board members who served on the Search for President Committee: Graham Scott, Fred Gorbet, Barbara McDougall and Guy Saint-Pierre. They all went above and beyond the call of duty to find a successor to Mel Cappe. We are confident that the IRPP will continue to flourish under its new leadership. I also want to thank all Board members for their support over the last year. I look forward to continuing to work with an excellent group of talented people from diverse backgrounds who share a common commitment to excellence in public policy research.

Janice MacKinnon,
Saskatoon, June 2011

MESSAGE FROM THE PRESIDENT

MEL CAPPE

This is my final annual report as president of the IRPP. By the time you read this I will have stepped down from the presidency and given it up to a young, talented and up-and-coming successor who, I am confident, will take the Institute to the next level. I have spent five years as president, longer than I have ever spent in one job. It has been an honour to be at the head of such a fine organization.

In my first annual report I identified a few objectives, and I want now to reiterate and reconfirm some of those sentiments. My first objective was to plug the research into decision-makers and to nourish the public debate. We have kept that focus and have made a point of connecting to municipal, provincial and federal legislators, officials and ministers. In addition, we have strategically used the media to get our messages out to the informed public to affect decision-makers.

The key to the IRPP brand is the high quality of our research, and this is what distinguishes the Institute from other comparable organizations. We have a first class, professional staff (more on that below), and the scholars and researchers who contribute are some of the best in the country. Over my 30 years of policy work in government, and now five at the IRPP, I have seen the importance of evidence-based policy development. Analysis and evidence are the key to good policy and to good decision-making in governments. The role of research in nourishing the public debate is crucial. And the IRPP has always played an important part in that debate.

The IRPP's independence also contributes to its credibility with the public, the media and decision-makers. Crucial to protecting that independence is the diversity and competence of the distinguished Board. Just as important is the Endowment Fund, which allows us to do research on the issues we feel are important to the future of the country, not those for which people are prepared to pay.

As the public policy process changes, so does the think-tank community. While there has been a proliferation of institutions, many of them have a specific point of view or perspective, which makes them advocates. The IRPP stands apart from many other think tanks. We do not advocate a position or point of view. As our mission statement says, our goal is to improve public policy in Canada. We do so by generating research, providing insight and sparking debate. That is how we strengthen the quality of public policy decisions.

The second objective I set was to try to engage with people who were "not the usual suspects" for our research. Over the years we have developed a stable of senior, distinguished scholars who are pleased to work with us. But we have also deliberately reached out to scholars and commentators of the next generation to do work for us. Perhaps a clear example of this is Graham Fox who, over the last few years, has regularly written for the IRPP's *Policy Options* magazine.

Finally, I have often told people that the job of the president is to decide what NOT to do research on. The public policy challenges of this millennium are enormous. But the Institute has kept its focus on its major programs of research – Diversity, Immigration and Integration; Competitiveness, Productivity and Economic Growth; and Faces of Aging – throughout my term. Of course, we have digressed from time to time on strategic programs like Security and Democracy. Water which was the focus of our *Policy Options* edition in July 2009; and the Canadian North, which was the highly successful Art of the State project that was in preparation just as I arrived.

The final aspect I would like to highlight – the strength of the staff – is also something I wrote about in my first annual report in 2007, and I would now like to end on it. Suzanne Ostiguy McIntyre, as vice-president, operations, is a rock. She is a gentle listener when she needs to be and a strong decision-maker when appropriate. The operations of the Institute depend on her steady hand. France St-Hilaire, the vice-president, research, is demanding of quality, *polyvalente* and clear sighted. When this team fires on all cylinders, it is a sight to behold.

Georgia Kotsakis is our competent receptionist/administrative assistant/keeper of the lists and manager of event registrations. Brian Peebles is a fine research assistant, diligent and capable beyond his academic achievements. Chantal Létourneau, our production coordinator, is a resourceful, competent fixer who gets the magazine out on time while also juggling the IRPP Study series. Reliability is the watchword for Chantal. Kate Shingler, as communications director, has done a great job plugging us in to the media and educating some of us about the intricacies of social media. Kate's replacement during her maternity leave, Nicola Johnston, is a strong communications officer who has lots of ideas and is able to take complex notions and translate them for the uninitiated.

Suzanne Lambert is the events coordinator, and she is competent and reliable. Suzanne had my total confidence. Francesca Worrall is an ace with words (and if I were better at them, I would use something other than "ace"). She knows the rules, respects them and is able to juggle the multiple demands on her time. Guadalupe Bermejo is a seasoned pro as our comptroller. She is organized, disciplined and not afraid to tell the truth. She has kept us on the straight and narrow and makes a good contribution to the Institute. Félice Schaefli, my assistant, put up with my craziness and made sure I was where I needed to be with the right material. Her talents and rigour as a translator, copy editor and administrator have also made her a valuable member of the editorial team.

Jeremy Leonard is a multitalented economist who started as our Webmaster and has developed into an analytical research director who can move files and deal well with authors. Sarah Fortin is our conscience on *la place du français à l'IRPP* and is a serious social policy research director. David Boisclair has been an important part of our economic analytical team and handled water and pensions as research director. He made a significant contribution in organizing our symposium on retirement income. He has taken an extended paternity leave and will be missed. Leslie Seidle is a true scholar of democracy and institutions and an expert on diversity issues. And L. Ian MacDonald has taken *Policy Options* to new heights and made it a must-read for policy-makers.

I leave the Institute with few regrets but some sadness at the projects yet to be done. I am confident that under the command of the new president, with this team and the strategic direction of the Board, the Institute is in good hands and will go from strength to strength.

Mel Cappe
Toronto, April 2011

DIVERSITY AND INTEGRATION

RESEARCH DIRECTOR LESLIE SEIDLE

Since 2002, the IRPP has published extensively and held numerous public events and conferences on immigration policy and the economic and social integration of immigrants in Canada. In publishing another four studies over the past year, this research program has continued to explore the policy challenges related to growing diversity, social cohesion and shared citizenship.

PUBLICATIONS

The Canadian Temporary Foreign Worker Program: Do Short Term Economic Needs Prevail over Human Rights Concerns?
Delphine Nakache and Paula J. Kinoshita
May 2010

Multiple Citizenship, Identity and Entitlement in Canada
Andrey Macklin and François Crépeau
June 2010

Un diplôme postsecondaire canadien : un tremplin vers des emplois de qualité pour les immigrants?
Maude Boulet and Brahim Boudarbat
September 2010

The Manitoba Provincial Nominee Program: Attraction, Integration and Retention of Immigrants
Tom Carter, Manish Pandey and James Townsend
October 2010

EVENTS

Symposium: "Canada's Immigration Policy: Reconciling Labour Market Needs and Longer-Term Goals"
May 25-26, 2010
Ottawa

Working Lunch: "Un diplôme postsecondaire canadien : un tremplin vers des emplois de qualité pour les immigrants?"
September 20, 2010
Montreal

Working Lunch: "The Manitoba Provincial Nominee Program: Attraction, Integration and Retention of Immigrants"
October 20, 2010
Winnipeg

IN May, the IRPP held a two-day expert symposium in Ottawa on Canada's long-term immigration policy and changing labour market needs. The symposium was attended by academics, practitioners and officials from the federal and several provincial governments. Notable among those in attendance was George Borjas, an internationally recognized scholar, who delivered the symposium's keynote address.

Two of the IRPP's four publications in this research program this year are noteworthy for their contribution to the underresearched areas of the Provincial Nominee Program and the Federal Skilled Worker Program.

Over the past decade, one of the noteworthy changes to Canada's immigration system has been the increase in the number of newcomers settling in the smaller provinces through the Provincial Nominee Program, whereby immigrants are selected by the province to address labour market shortages. Tom Carter, James Townsend and Manish Pandey find in their case study of Manitoba's Provincial Nominee Program that Manitoba's provincial nominees had positive settlement and integration outcomes. The authors' research and their main conclusions were the subject of a panel discussion at a working lunch held in Winnipeg, and a report appeared in the *Winnipeg Free Press* on the same day.

As the number of temporary foreign workers in Canada rises, questions are emerging about the challenges they face, especially when it comes to employment conditions. Delphine Nakache and Paula Kinoshita's study of the Canadian Foreign Worker Program in Alberta concludes that the short-term focus of this program will not help the country realize its long-term labour market needs, and is unfair to the vast majority of temporary workers. The study received extensive media coverage, with stories in the *Toronto Star* and the *Globe and Mail*, and an op-ed in the *Vancouver Sun*. The authors also gave several radio interviews with the CBC and Radio Canada International.

The Institute continues its efforts to bring emerging policy issues to the attention of policy-makers through informal briefing sessions. In January, IRPP researchers held a half-day briefing session for Quebec's Minister of Immigration, which was attended by staff and senior officials from the Ministère de l'Immigration et Communautés culturelles and the Ministère de l'Emploi et de Solidarité sociale.

Over the coming year, the IRPP will broaden its research on immigrant integration beyond the issues of market and economic outcomes to look more closely at the elements of social integration.

Diversité, immigration et intégration
Diversity, Immigration and Integration

COMPETITIVENESS

PRODUCTIVITY AND ECONOMIC GROWTH

RESEARCH DIRECTOR
JEREMY LEONARD

Economic issues continue to be prominent in the wake of the global recession, the events unfolding in the Arab world and the aftermath of the tsunami that devastated Japan. Launched in 2007, the Competitiveness, Productivity and Economic Growth research program puts particular emphasis on three themes: improving innovation and productivity performance, capturing the benefits of globalization and changing patterns of trade, and adapting to the structural changes occurring in the Canadian economy.

Competitiveness, Productivity and Economic Growth
Compétitivité, productivité et croissance économique

THE IRPP published two important studies in this research program this year. Motivated by the potential longer-term effects of structural economic weakness in the United States, Patrick Georges and Marcel Mérette's study of Canada's strategic trade policy options suggests that the economic benefits of diversifying trade away from the US toward countries such as India and China are potentially larger than those of deepening North American integration. With free trade talks between India and Canada already underway and the proposal for a North American security and trade perimeter between Canada and the US on the table, this timely study garnered considerable interest, and it has has been downloaded from the IRPP Web site more than 10,000 times since its release in December 2010.

The sold-out working lunch, held on the day the study was released, drew an impressive crowd, including the federal Deputy Minister of Finance and Deputy Minister of International Trade. A news story highlighting the study's findings appeared in the *Globe and Mail* the same day.

Ross Finnie and David Gray's study on the labour market difficulties faced by older displaced workers finds that when older workers who face sudden layoff are subsequently re-employed, they are rarely able to match their previous earnings. Moreover, their earnings tend to stagnate in subsequent years, which drives many to retire early. The authors argue that the particular circumstances of these workers are not properly addressed by current unemployment policies, and they recommend wage insurance as a viable option.

This study received coast-to-coast media coverage, appearing in regional daily newspapers including the *Times Colonist* in Victoria; British Columbia; the Calgary Herald; and the Montreal Gazette. As well, it was the subject of numerous live radio interviews across Canada, and an op-ed by the authors appeared in the *Globe and Mail* online. This study touches on an issue that is directly relevant to many people in the context of the recent recession, and as a result of extensive media coverage and nearly 2,000 Web downloads in the first four days after its release, the study reached a broad and diverse audience of Canadians.

In the future, research in this program will examine the effect of high exchange rates on manufacturing competitiveness, the drivers of and obstacles to innovation, and the policy implications of evolving trade patterns.

PUBLICATIONS
Canada's Strategic Trade Policy Options: Deeper Continental Integration or Diversification?
Patrick Georges and Marcel Mérette
December 2010

Labour Force Participation of Older Displaced Workers in Canada: Should I Stay or Should I Go?
Ross Finnie and David Gray
February 2011

EVENT
Working lunch: "Canada's Strategic Trade Policy Options: Deeper Continental Integration vs. Diversification"
December 8, 2010
Ottawa

"A CLEAR GLOBAL TRADE PLAN THAT TARGETS PRIORITY MARKETS IS WHAT'S NEEDED, ARGUE THE AUTHORS OF A REPORT FOR THE INSTITUTE FOR RESEARCH ON PUBLIC POLICY." – *Globe and Mail*

FACES OF AGING

RESEARCH DIRECTORS

SARAH FORTIN AND
DAVID BOISCLAIR

Launched in 2007, the Faces of Aging program examines the aging of Canada's population and its implications for public policy and society at large. The research addresses a wide range of fundamental issues, including labour force participation; pensions and retirement; the role of the public and private sectors in providing health care, social services and economic security; and end-of-life questions.

"THE RESULTS OF SYMPOSIA LIKE THIS ONE WILL HELP CONTRIBUTE TO THE NATIONAL DIALOGUE ON THE FUTURE OF OUR RETIREMENT INCOME SYSTEM, AS MINISTERS OF FINANCE ACROSS CANADA CONTINUE TO WORK TOGETHER TO REVIEW THE CURRENT CHALLENGES."
– The Honorable Dwight Duncan, Ontario Minister of Finance

IN the aftermath of the financial crisis, and in the context of ongoing provincial and federal government initiatives on pensions and retirement income, the IRPP held a national symposium on retirement income policy in Toronto in May. The two-day event, which brought together public servants from all levels of government; academics; and representatives from business, labour and nongovernmental organizations; provided a forum to discuss avenues for reform of the Canadian retirement income system. The Institute was pleased to welcome the federal and Ontario finance ministers, Jim Flaherty and Dwight Duncan, who addressed an audience of 70 expert participants.

As part of the research commissioned for the symposium, the IRPP published four studies on pensions this year. Bob Baldwin's analysis of pension reform options in Canada was released just days before the meeting of finance ministers on this topic in Kananaskis, Alberta. The study examines the pros and cons of recent reform proposals being discussed in Canada to address declining participation in workplace pensions.

In his study on financial literacy and retirement planning, Saul Schwartz argues that the role financial education can play in helping Canadians deal with retirement planning issues is quite limited, and he recommends that governments put more emphasis on consumer protection with respect to financial services. The study generated nearly 30 newspaper articles in major national and regional dailies across Canada, and the author's op-ed appeared in *Le Devoir* and the *Hill Times*. The study also re-emerged in the news with the release of the final report by the Task Force on Financial Literacy in February. Schwartz presented his findings at a sold out working lunch in Toronto, also in February.

In addition to its work on retirement and pensions, the IRPP released a study in January on long-term residential care for seniors, by Margaret McGregor and Lisa Ronald, which finds that the type of ownership of residential long term care facilities is one factor that determines of the quality of care provided. Increasingly, governments across the country have turned to the private sector to provide long-term care services. At the same time, the number of reports and news stories questioning the quality of services in various residential facilities has increased. The study, which concludes that for-profit facilities are more likely to provide inferior care, received extensive coverage in national and regional daily newspapers across Canada. A comprehensive news story appeared in *La Presse*, and an op-ed that appeared in the *Globe and Mail* on the day the study was released prompted a number of letters to the editor.

To provide a forum for public debate on this salient question, the Institute organized panel discussions with the authors and expert commentators in Toronto and Montreal. Panellist Gail Dobell from the Ontario Health Quality Council subsequently wrote a commentary on the study, which is available on the IRPP Web site.

PUBLICATIONS

Improving Canada's Retirement Saving: Lessons from Abroad, Ideas from Home
Patrik Marier
September 2010

Can Financial Education Improve Financial Literacy and Retirement Planning?
Saul Schwartz
December 2010

Pension Reform in Canada: A Guide to Fixing Our Futures Again
Bob Baldwin
December 2010

Residential Long-Term Care for Canada's Seniors: Nonprofit, For-Profit or Does it Matter?
Margaret J. McGregor and Lisa A. Ronald
January 2011

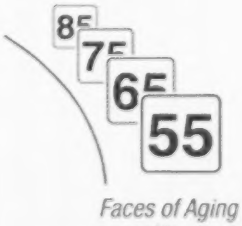
Is Your Defined-Benefit Pension Guaranteed? Funding Rules, Insolvency Law and Pension Insurance
Ronald B. Davis
March 2011

EVENTS

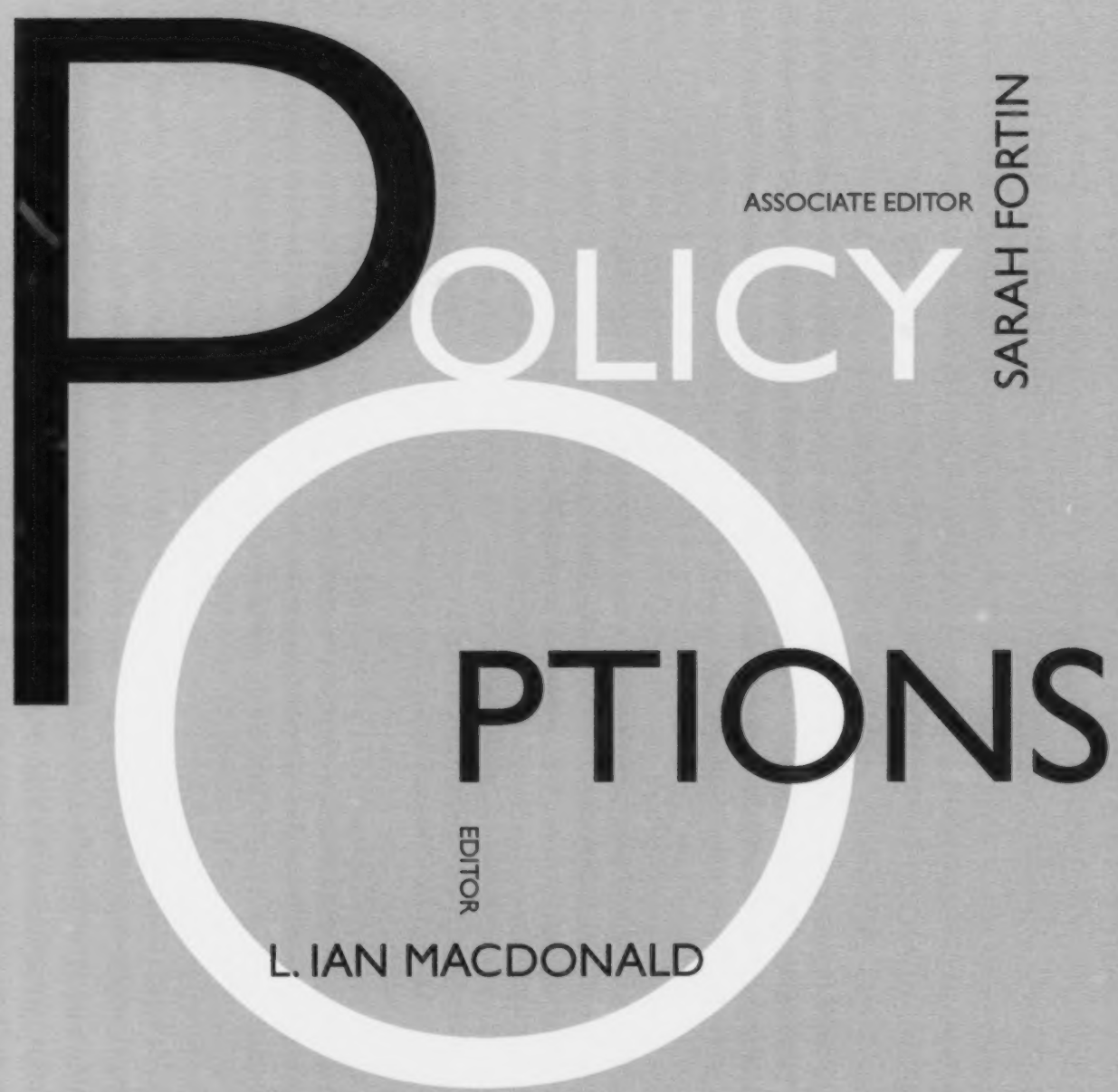
Symposium: "Avenues for Reforming the Canadian Retirement Income System"
May 4-5, 2010
Toronto

"Residential Long-Term Care for Canada's Seniors: Nonprofit, For-Profit or Does it Matter?"
January 2011
Toronto

"Can Financial Education Improve Financial Literacy and Retirement Planning?"
February 2011
Toronto



Faces of Aging
Les défis du vieillissement



Providing in-depth analysis in French and English on key issues of the day, *Policy Options*, the IRPP's flagship publication, is Canada's leading public policy magazine. Over the last year the magazine generated over 180 media items, making news around the country on debates related to the Toronto G20 and Muskoka G8, the effectiveness of Parliament, Obama at mid-mandate, Afghanistan, and other important stories.

AS Parliament resumed last fall, the September issue, "Making Parliament Work," garnered significant media attention across the country. In one month alone, it was the subject of nearly two dozen news items, including radio interviews, columns, news stories, editorials and op-eds. In addition, there were over 5,000 downloads from the IRPP's Web site.

The sold-out *Policy Options* working lunches in Ottawa and Calgary were broadcast by CPAC. In Calgary, 150 participants, including members of the Alberta Legislative Assembly, business community leaders, and journalists, gathered at Calgary's Petroleum Club in February to participate in the event on clean energy. In September, Federal Finance Minister Jim Flaherty, Speaker of the House Peter Milliken and Leader of the Government John Baird were among the attendees in Ottawa at the event on parliamentary efficacy.

While the magazine boasts top-notch Contributing Writers, Editor L. Ian MacDonald, named one of the 100 most influential people on the federal political scene by the *Hill Times*, conducted exclusive, one-on-one interviews with top government officials such as Federal Finance Minister Jim Flaherty, Speaker of the House Peter Milliken, and former prime minister Brian Mulroney.

EVENTS
Working Lunch: "The Federal Budget"
April 14, 2010
Ottawa

Working Lunch: "Making Parliament Work"
September 29, 2010
Ottawa

Working Lunch: "A Snapshot of Canada, 2010"
December 2, 2010
Toronto

Working Lunch: "From Climate Change to Clean Energy"
February 9, 2011
Calgary

With such access to present and past leaders, the magazine's online readership is growing, and demand for advertising has increased. There are now more than 60,000 visitors to the *Policy Options* home page per month, and nearly 1,000,000 articles were downloaded over the past year from our Web site (www.irpp.org). In addition, the magazine counts among its advertisers some of the most prestigious and established companies and organizations, including BMO, Bombardier, the Canadian Foundation for Innovation, CN, Enbridge, Canadian Renewable Fuels Association (Greenfuels), Microsoft, Pratt & Whitney, Rx&D and the University of British Columbia.

Also this year, *Policy Options* published in print and on its Web site the winning and runner-up essays in the IRPP's first annual Constitutional Affairs Student Essay Competition, held in collaboration with Ogilvy Renault and the Canadian Constitutional Affairs Conference.

Policy Options can be found on select newsstands across Canada, and it is distributed to Canada's opinion leaders in the House of Commons, the Senate, the offices of federal deputy ministers, the Ottawa Press Gallery, the National Assembly of Quebec, the Quebec Press Gallery, the offices of members of the Alberta Legislative Assembly and in Air Canada Maple Leaf Lounges.

OUTREACH AND COMMUNICATIONS

COMMUNICATIONS DIRECTOR
KATE SHINGLER

COMMUNICATIONS OFFICER
NICOLA JOHNSTON

With the Internet at the forefront of the communications revolution, the IRPP's Web site is its best ambassador. This fall, the Institute launched its new, up-to-date and user-friendly Web site. It has an improved Web search engine, so our substantial portfolio of policy research is now easier than ever to find for researchers, decision-makers, students, the media and the public at large. On our new Web site, people can donate online and share content via social networking tools such as Facebook, Twitter and RSS feeds, while continuing to have easy access to the extensive archive of studies, news releases, op-eds and podcasts.

"THE IRPP IS MY GO TO FOR EXPERT OPINION."
– Chris Plecash, journalist, *Hill Times*

This year, addition to launching its new face on the Web, the IRPP has begun posting expert commentaries that reflect on the content, conclusions and policy implications of some of our studies. This new vehicle further enhances our ability to fulfill our mission of promoting dialogue about our research and sparking debate on current and emerging policy issues facing Canadians and their governments.

The IRPP's research continues to be the subject of, and even the catalyst for, numerous news stories, TV and radio interviews, blogs, and tweets. In particular, this past winter the Institute's work sparked media coverage of important policy debates on pensions. Patrik Marier, author of the recent IRPP study *Improving Canada's Retirement Saving: Lessons from Abroad, Ideas from Home*, was interviewed by *La Presse* journalist Stéphanie Grammond. Subsequently she was sent to Norway and Sweden to report on pension reforms in these countries. In mid-February 2011, a series of articles on pension reform in Sweden, Norway, Quebec and Canada appeared in *La Presse*, directly inspired by Patrik Marier's IRPP study.

While the IRPP is an active participant in public debates, it also disseminates its research findings through its own public events, private meetings and presentations.

In September, the IRPP hosted 25 students who were on the first Canada/EU study tour, organized by the European Network for Canadian Studies. Research directors Leslie Seidle and David Boisclair and IRPP President Mel Cappe ran a half-day seminar for the group, and later the Institute welcomed student Barbora Podana from the Czech Republic as an intern for the fall.

In March, IRPP research directors Jeremy Leonard and Leslie Seidle presented information on the Institute and on the research programs they direct to students at l'École nationale en administration publique in Montreal and Quebec City via video conference.

As well, the IRPP was invited to discuss its research on aging and pensions at a half-day meeting with the National Seniors Council. Through unique outreach opportunities such as these, the IRPP reaches its target audiences in innovative ways.

SPONSORS/DONORS
The IRPP wishes to thank the following for their support:

Amgen
BMO Financial Group
Citizenship and Immigration Canada
Enbridge
Finance Canada
Finance Ontario
Government of Ontario
Graham Scott
Human Resources and Social Development Canada
Le Devoir
Maytree Foundation
Prairie Metropolis Centre
Sun Life Financial
The Great-West Life
Wawanesa Insurance

The objective of the IRPP's Endowment Fund is to support the work of the Institute. The Investment Committee seeks to maintain the real value of the Fund after inflation, so that it can continue to provide financial support to the Institute in future years. The role of the Investment Committee is to consider the appropriate asset mix of the endowment, to recommend external investment managers and hold them accountable for the objective of their mandate, and to advise the Board on the Institute's investment strategy.

REPORT OF THE INVESTMENT COMMITTEE

CHAIR
IAN D. CLARK

MEMBERS
HUGH CLELAND
LEA HANSEN
MICHAEL KOERNER
BARBARA MCDOUGALL
JACQUES MÉNARD
ALFRED WIRTH

THE Committee and the Board have always recognized that there may be potentially competing objectives in maintaining the operations of the Institute and protecting the value of the Fund. Therefore, in 1987 the Board of Directors decided that rather than using the actual income generated by the Fund in any one year, the Institute would withdraw an amount equal to 5 percent (it was 5.5 percent 1997-2000 and 6 percent 2005-07) of the average of the last three years' capital value of the Fund, measured at the fiscal year-end. A three-year average was used to smooth the impact of changes in the market and increase predictability.

However, like most other funds of this nature, the IRPP Endowment Fund was significantly affected by the financial crisis that began in the fall of 2008. It is in this context that in 2009, at the Board's request, the Investment Committee undertook a review of the sustainability of the 5 percent rate of draw on the Fund. This resulted in the Board of Directors deciding in December 2009 to gradually reduce the rate of draw to 4 percent by 2014-15 by dropping to 4.75 percent for the following two years and then gradually reducing by another 25 basis points a year to 4 percent by 2014-15.

The Committee also considered alternative smoothing formulae for drawing funds from the endowment. The modified Yale Formula was selected for the spending policy as it further reduces the transmission of portfolio volatility onto the amount released annually from the Fund. This formula consists of taking 80 percent of the allowable spending in the prior fiscal year, increased by the rate of inflation as measured by the Consumer Price Index, for the previous year; and 20 percent of the long-term spending rate applied to the four-quarter market average of the endowment for the period ending December 31, prior to the start of the fiscal year.

Using this new formula for the first time, the money available from the Fund for fiscal year 2010-11 amounted to $1,857,019, a decrease of approximately $19,215 from the transfer generated the previous year. Realized capital gains of $213,419 and dividend and interest income of $1,219,652 during the last fiscal year together amounted to $1,433,071.

Over the years, the Investment Committee has taken several measures to ensure the optimal management of the Fund. In 1999, it decided to divide the Fund into two equal portions. Thus Knight, Bain, Seath and Holbrook Capital Management (KBSH), which had managed the Fund since 1989, was joined by Beutel, Goodman and Company Ltd. In 2004, the Committee decided to replace KBSH with McLean Budden Investment Managers. In June 2008, after interviewing international specialists, the Investment Committee hired the firm Julius Baer, now Artio Global, to manage the portion of the IRPP's assets that is invested in foreign markets.

In 2010, the Committee made two recommendations to the Board, which the Board approved. First, the Committee meets with each manager twice a year instead of four times: once briefly at the beginning of every calendar year to communicate any changes to their firm and present their portfolio strategy for the year; then again for an in depth discussion and to review their portfolio strategy and their performance based on benchmarks revised in 2009. Managers continue to distribute their quartely reports to the Committee. If Committee members have concerns, they raise them with the Committee chair or the IRPP President who, in turn, follow up with the manager concerned.

Second, the allowable threshold for equities in the portfolio was increased from 65 percent to 75 percent. This was not intended to be a directive to the managers to reach this maximum, but rather a message from the Board that it was prepared to increase the portfolio risk exposure to improve the portfolio return potential.

The Fund's combined market value, including other net assets, amounted to $36,717,036 as of March 31, 2011. Its asset mix is reported in the table below.

	BEUTEL GOODMAN		MCLEAN BUDDEN		ARTIO GLOBAL	
	31/3/11	31/3/10	31/3/11	31/3/10	31/3/11	31/3/10
Market value	$18,299,796	$17,403,824	$14,546,437	$14,252,405	$3,711,951	$3,554,455
Asset mix						
Cash and equivalent	0.7%	1.7%	1.4%	1.9%		-
Fixed income	36.9%	42.1%	47.3%	48.2%		-
Canadian equities	42.7%	37.9%	29.3%	27.4%		-
US equities	19.7%	18.2%	22.0%	22.5%		-
Non-North American equities		-		-	100%	100%
Total equities	61.4%	56.2%	51.3%	49.9%		-

The table below reports our managers' performance relative to the benchmark in the previous year and in the past four years, where applicable.

Periods ended	31/3/11	31/3/10	31/3/09	31/3/08
	ANNUAL RETURN			
Artio Global	5.5%	18.7%	-13.6%	N/A
Benchmark (MSCI ACWI ex-US)	8.5%	29.8%	-9.0%	N/A
Beutel Goodman	11.7%	22.9%	-11.8%	-4.2%
McLean Budden	10.4%	17.3%	-10.0%	-1.3%
Benchmark	10.8%	18.8%	-13.0%	0.4%
	4 YEAR RETURN (ANNUALIZED)			
Beutel Goodman	3.8%	3.1%	0.5%	5.4%
McLean Budden	3.7%	3.5%	1.9%	N/A
Benchmark	3.7%	3.2%	2.0%	7.1%

FINANCIAL STATEMENTS

MARCH 31, 2011

INDEPENDENT AUDITOR'S REPORT

Raymond Chabot
Grant Thornton

To the Directors of
The Institute for Research on Public Policy

We have audited the accompanying financial statements of the Institute for Research on Public Policy, which comprise the balance sheet as at March 31, 2011 and the statements of earnings, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institute for Research in Public Policy as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP[1]

Montréal
June 7, 2011

[1] Chartered accountant auditor permit no. 14444

EARNINGS

Year ended March 31, 2011
(In thousands of dollars)

	2011	2010
	$	$
Revenues		
Net investment income	**3,556**	6,139
Other revenues		
Policy Options magazine	**32**	37
Policy Options advertising	**122**	155
Other publications	**26**	50
Contributions	**274**	147
Other	**9**	9
	463	398
Expenses		
General research and support services	**1,813**	1,723
Policy Options magazine	**472**	474
Other publications	**46**	81
Investment management and custodial fees	**213**	209
Interest	**8**	7
Amortization of capital assets	**12**	19
	2,564	2,513
Deficiency of revenues over expenses before net investment income	**(2,101)**	(2,115)
Excess of revenues over expenses	**1,455**	4,024

The accompanying notes are an integral part of the financial statements.

CHANGES IN NET ASSETS

Year ended March 31, 2011
(In thousands of dollars)

				2011	2010
	Restricted for the financing of operating activities (Note 4)	Invested in capital assets	Un-restricted	Total	Total
	$	$	$	$	$
Net assets, beginning of year	34,936	20	208	35,164	31,140
Excess (deficiency) of revenues over expenses		(12)	1,467	1,455	4,024
Invested in capital assets		16	(16)		
Transfer (Note 4)	1,486		(1,486)		
Net assets, end of year	36,422	24	173	36,619	35,164

The accompanying notes are an integral part of the financial statements.

CASH FLOWS

Year ended March 31, 2011
(In thousands of dollars)

	2011	2010
	$	$
Operating Activities		
Excess of revenues over expenses	**1,455**	4,024
Non-cash items		
Fair value of investments	**(2,123)**	(5,056)
Loss (gain) on disposal of investments	**(214)**	118
Amortization of capital assets	**12**	19
Changes in working capital items (Note 5)	**(54)**	79
Net cash used	**(924)**	(816)
Investing Activities		
Acquisition of short-term investment		(152)
Disposal of short-term investment		217
Investments	**(10,037)**	(13,207)
Disposal of investments	**10,933**	13,915
Capital assets	**(16)**	(15)
Net cash generated	**880**	758
Decrease in cash	**(44)**	(58)
Cash, beginning of year	**100**	158
Cash, end of year	**56**	100

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET

March 31, 2011
(In thousands of dollars)

	2011	2010
	$	$
Assets		
Current assets		
Cash	**56**	100
Accounts receivable (Note 6)	**244**	375
Prepaid expenses	**21**	34
	321	509
Investments (Note 7)	**36,549**	35,108
Capital assets (Note 8)	**24**	20
	36,894	35,637
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**117**	270
Subscription and advertising revenue collected in advance	**50**	95
Deferred contributions (Note 10)	**108**	108
	275	473
Net Assets		
Restricted for the financing of operating activities	**36,422**	34,936
Invested in capital assets	**24**	20
Unrestricted	**173**	208
	36,619	35,164
	36,894	35,637

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2011
(In thousands of dollars)

1. GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Institute for Research on Public Policy is incorporated under Part II of the Canada Corporations Act. Its mission is to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations. It is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The financial statements are prepared using the historical cost method, except for certain Financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

The Organization has chosen to apply the recommendations of Section 3861, «Financial Instruments – Disclosure and Presentation», of the Canadian Institute of Chartered Accountants' Handbook with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Transaction costs from held-for-trading financial assets and liabilities are recognized in earnings and presented under Investment management and custodial fees. Regular-way purchases or disposals of financial assets are recognized at the transaction date.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets
Cash is recognized as held for trading and short-term investment, interest and dividends receivable and accounts receivable on disposal of investments are designated by the Organization as held for trading. They are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings include interest and dividend income, exchange gains or losses and realized and unrealized gains or losses, and are presented under Net investment income. The fair value of investments in shares and fund units is based on the current bid price and the fair value of investments in bonds is based according to the rate of return that reflects corresponding market conditions.

Upon initial recognition, the Organization designates some financial assets as held for trading because it considers that the financial information generated by this classification is more relevant for decision-making and provides a better means for evaluating the Organization's performance.

Loans and receivables
Trade accounts included in the accounts receivable are classified as loans and receivables, and they are measured at amortized cost, which is generally the initially recognized amount less any allowance for doubtful accounts.

Other financial liabilities
Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

Revenue recognition

Contributions
The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

Advertising and publication revenue
Advertising and publication revenue is recognized once there is an agreement between the parties, the price is fixed or determinable and collection is reasonably assured.

In addition to the general principles described above, the Organization applies the following specific principles:

- Advertising revenue is recognized on a straight-line basis over the duration of the contract, once advertising is edited;
- Revenue from publications is recognized on a straight-line basis over the duration of subscriptions;
- Other revenue is recognized when it is earned.

Investment income
Investment transactions are recorded on the settlement date and resulting income is recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average cost method. Transaction costs related to the acquisition or disposal of investments are included in the cost of investments or treated as a reduction of the proceeds on the disposal of investments.

Capital assets

Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives according to the straight-line method and the following annual rates and period:

	Rates and period
Computer equipment	33%
Office equipment	20%
Leasehold improvements	Length of the lease

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Gains and losses are included in the earnings for the year. Exchange gains or losses on held-for-trading financial instruments are included in net investment income presented in the statement of earnings.

3. RESTRICTIONS ON NET ASSETS

The net assets restricted for the financing of operating activities, and subject to internally imposed restrictions by the Board of Directors, must be maintained to finance the Organization's operating activities. These amounts cannot be used towards other purposes without the consent of the Board of Directors. Investment income is unrestricted.

4. TRANSFER

	2011	2010
	$	$
Amount obtained from the formula of endowment spending	1,857	1,875
Net investment income	3,556	6,139
Investment management and custodial fees	(213)	(209)
Investment income, net of investment management and custodial fees (a)	3,343	5,930
Transfer	(1,486)	(4,055)

To finance the operating activities of the Organization, the Board of Directors authorizes an annual transfer of resources from restricted net assets to unrestricted net assets. This transfer of resources is determined using a formula approved by the Board of Directors.

(a) The decrease in value in the restricted account and the offsetting amount that is unrestricted include the unrealized gain during the year on the assets in the restricted account.

5. INFORMATION INCLUDED IN CASH FLOWS

The changes in working capital items are detailed as follows:

	2011	2010
	$	$
Accounts receivable	131	(27)
Prepaid expenses	13	(6)
Accounts payable and accrued liabilities	(153)	42
Subscription and advertising revenue collected in advance	(45)	57
Deferred contributions		13
	(54)	79

6. ACCOUNTS RECEIVABLE

	2011	2010
	$	$
Trade accounts	25	45
Accounts receivable on disposal of investments	62	195
Goods and services tax and Quebec sales tax	62	38
Interest and dividends receivable	95	97
	244	375

7. INVESTMENTS

	2011	2010
	$	$
Mutual fund units		
Money market	111	274
Bonds	6,880	6,878
Shares	11,379	10,852
	18,370	18,004
Bonds		
Federal government, 1% to 4% (1.25% to 8% in 2010), maturing on different dates from September 2011 to June 2014	2,997	2,691
Provincial government, 4.25% to 10.25% (4.4% to 10.25% in 2010), maturing on different dates from December 2011 to June 2019	469	1,064
Corporations, 3.05% to 12.2% (3.13% to 12.2% in 2010), maturing on different dates from November 2012 to November 2050	3,290	3,575
	6,756	7,330
Canadian shares		
Metals and minerals	153	106
Gold and valuable metals	253	
Oil and gas	2,042	1,431
Consumer products		109
Industrial products	112	55
Biotechnology and pharmaceutical	100	
Real estate	52	78
Transportation and environmental services	245	213
Utilities	217	189
Communications and medias	530	479
Merchandising	328	216
Financial services	3,787	3,712
	7,819	6,588
Foreign shares		
Consumer discretionary	562	394
Consumer staples	157	156
Financial services	366	280
Health care	258	345
Integrated oil company	181	112
Materials and processing	76	77
Other energy	272	200
Producer durables	170	543
Technology	588	472
Utilities	537	144
Communications and medias	155	243
Other	282	220
	3,604	3,186
	36,549	35,108

8. CAPITAL ASSETS

	2011		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	374	352	22
Office equipment	125	123	2
Leasehold improvements	16	16	
	515	491	24

	2010		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	358	345	13
Office equipment	125	121	4
Leasehold improvements	16	13	3
	499	479	20

9. LINE OF CREDIT

The line of credit, for an authorized amount of $500, is unsecured, bears interest at prime rate plus 1% (3%; 3.25% in 2010) and is renegotiable in September 2011. The line of credit was not used as at March 31, 2011 and 2010.

10 - DEFERRED CONTRIBUTIONS

	2011	2010
	$	$
Fourth Decade Fund		
Balance, beginning of year	108	95
Amount received relating to the following years		13
Balance, end of year	108	108

The Fourth Decade Fund represents amounts received and restricted for purposes specified by the donors.

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Organization is exposed to various financial risks resulting from both its operating and investing activities. The Organization's management manages financial risks.

The Organization does not enter into financial instrument agreements including derivative Financial instruments for speculative purposes.

Financial risks

The Organization's main financial risk exposure and its financial risk management policies are as follows.

Interest rate risk

Bonds and mutual fund units in money market, and bonds bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Organization does not use derivative financial instruments to reduce its interest rate risk exposure.

Credit risk and concentration of credit risk

Generally, the carrying amount on the balance sheet of the Organization's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

- Trade accounts receivable:
  An Organization's credit risk is attributable to its trade accounts receivable. The Organization does not require a guarantee from its customers. Trade account receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Organization's exposure to doubtful accounts is not significant;

- Investments in bonds and mutual fund units:
  The bond and mutual fund investment balance is managed and analyzed quarterly to detect any impairment. As at March 31, 2011, management considers that the Organization's credit risk with respect to these financial assets is low and, accordingly, no allowance for losses has been recorded.

As at March 31, 2011, cash is held by a reputable financial institution.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Organization has financing sources such as bank loans for a sufficient authorized amount. The Organization establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

Other price risk

Other price risk is the risk that the fair value of net assets fluctuates as a result of changes in market prices. The Organization is exposed to other price risk as a result of investments.

Foreign exchange risk

The Organization is exposed to foreign exchange risk due to cash, short-term investment and investments denominated in U.S. dollars. As at March 31, 2011, assets denominated in U.S. dollars consisting of cash, short-term investment and investments totalled US$3,711 (US$3,187 as at March 31, 2010).

The Organization does not enter into arrangements to hedge its foreign exchange risk.

12. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Organization defines its capital as its net assets and its capital management objectives are as follows:

- Maintain its ability to continue as a going concern;
- Fulfil its financial obligations.

The Organization manages its capital primarily through investment revenues and the sale of advertising and publications.

To maintain or adjust its capital structure, it may be necessary to adjust the estimates for the expenses of some activities.

The Organization is not subject, under outside rules, to capital requirements.

13. COMMITMENTS

The Organization has entered into long-term lease agreements and a service contract expiring by 2022, which call for payments of $867 for the rental of equipment and office space and services. Minimum lease payments for the next years are $80 in 2012, $81 in 2013, $83 in 2014, $80 in 2015 and $543 in 2016 and the following years.

	2011	2010
	$	$
Net Investment Income		
Interest revenues	621	702
Dividend revenues	598	499
Gain (loss) on disposal of investments	214	(118)
Changes in fair value of financial assets designated by the Organization as held for trading	2,123	5,056
	3,556	6,139

1470 Peel #200, Montreal QC H3A 1T1 514-985-2461 irpp@irpp.org www.irpp.org